

HART SCHAFFNER & MARX



Twenty-ninth Annual Report
November 30, 1939

PRESIDENT'S LETTER

New York, January 22, 1940

To the Stockholders of
Hart Schaffner & Marx

The operations of the parent company and of its subsidiary and affiliated companies for the fiscal year ended November 30, 1939, resulted in a gain of \$400,787.98, as compared with a loss of \$305,136.79 for the fiscal year 1938. Of the amount of \$400,787.98, the sum of \$202,766.10 represents the profit of the parent company, while the sum of \$198,021.88 reflects the adjustment of the reserve against the investments in the subsidiary and affiliated companies in respect of the improvement in net worth. In addition there was carried to surplus the sum of \$11,778.20 representing the net amount above estimated requirements at November 30th of reserves provided in prior years. During the year a dividend of \$1.00 per share was paid on 142,313 shares outstanding as at November 17th.

General conditions during the early part of the year were not highly favorable but were very much better for the fall season. Total sales for the year showed a satisfactory increase and contributed largely to the improved earnings. Advance sales of the company for Spring 1940 show a substantial increase in units over a year ago. The company has for several years operated on a close margin with a view to offering greater values to the consumer. The steadily increasing acceptance of its product indicates that this policy will in the long run prove to be a good one.

The increase in accounts receivable arises from increased shipments during the last six months of the year. The increased inventory is a reflection of the willingness of the company to make earlier and more substantial commitments in view of present market conditions. As a result of higher inventories and receivables the company shows an increase in liabilities as at the end of the fiscal year as well as a somewhat higher ratio of indebtedness. The amount owing for borrowed money has increased since the end of the fiscal year and at this date is \$800,000.

Submitted herewith are the balance sheet as at November 30, 1939, and the statement of profit and loss and earned surplus for the year ended November 30, 1939, together with the report of our accountants, Messrs Price Waterhouse & Company.

MARK W. CRESAP
President and Chairman of the Board

HART SCHAFF
A NEW YORK
BALANCE SHEET—N

Assets

Current Assets

Cash	\$ 478,953.41	
Notes and accounts receivable (less reserves), including receivables from subsidiary and affiliated companies covered by net quick assets	4,115,194.06	
Inventories of materials and finished and partly finished merchandise on hand and in transit, at cost or market whichever is lower for current season's merchandise, and estimated realizable values for past seasons' merchandise	2,478,683.92	
Sundry accounts—including \$17,397.90 due by employees	<u>47,185.83</u>	\$7,120,017.22

Investments In and Non-Current Advances to Subsidiary and Affiliated Companies and Others (Less Reserves)

of which \$1,435,769.61 is represented by net quick assets of such companies 1,959,701.49

Company's Capital Stock held in Treasury

4,930 shares at par	\$98,600.00	
2,757 shares at cost	<u>85,830.90</u>	184,430.90

Shop Equipment and Fixtures, and Office Furniture

At cost	\$1,223,820.05	
Less—Depreciation reserve	<u>982,703.90</u>	241,116.15

Deferred Charges

Prepaid factory rentals, prepaid insurance, supplies, etc. 93,521.51

Goodwill, Trade Names and Trade Marks

At record value		<u>1.00</u>
		<u><u>\$9,598,788.27</u></u>

NER & MARX
CORPORATION
NOVEMBER 30, 1939

Liabilities

Current Liabilities

Notes payable to banks	\$500,000.00	
Accounts payable	280,471.35	
Liability for goods in transit	214,077.89	
Accrued salaries and wages	175,827.79	
Accrued Federal, State and Local taxes (less cash of \$32,391.92 deposited in escrow to cover payment of real es- tate taxes)	<u>153,237.01</u>	\$1,323,614.04

Capital Stock

Common — Authorized and issued — 150,000 shares of \$20.00 each	3,000,000.00
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Capital Surplus	1,803,712.61
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Earned Surplus

Per accompanying statement	<u>3,471,461.62</u>
	<u><u>\$9,598,788.27</u></u>

HART SCHAFFNER & MARX

A NEW YORK CORPORATION

STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

FOR FISCAL YEAR ENDING NOVEMBER 30, 1939

Profit of parent company for the year

after manufacturing, marketing and administrative expenses, provisions for depreciation of equipment, compensation adjustment, Federal income tax, and charge in respect of variation in intercompany profit in inventories of subsidiary companies, but before including adjustment of reserves against investments in certain subsidiary and affiliated companies and dividend received from a subsidiary company

\$202,766.10

Adjustment of reserves

against investments in capital stocks of certain subsidiary and affiliated companies in respect of the increase in net worth of these companies for the year (including non-recurring revenue of \$50,000.00 of an affiliated company)

198,021.88

(Note: The parent company's portion of the increase in net worth for the year of all of its subsidiary and affiliated companies was \$212,781.98)

Total, carried to earned surplus

\$400,787.98

Earned surplus at November 30, 1938

\$3,201,208.44

Add:

Net reduction of reserves provided in prior years to estimated requirements at November 30, 1939

11,778.20

\$3,212,986.64

\$3,613,774.62

Less—Dividends paid

142,313.00

Earned surplus at November 30, 1939

\$3,471,461.62

Report of Accountants

To the Stockholders of

Hart Schaffner & Marx:

We have examined the balance sheet of Hart Schaffner & Marx as of November 30, 1939, and the statement of profit and loss and earned surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate.

We also made examinations of the financial statements of the two principal subsidiary companies as at July 31, 1939. In addition, we have been furnished with financial statements of all of the subsidiary companies as at November 30, 1939, certified by officers thereof, supported by certificates covering bank balances, detailed lists of receivables and particulars of inventories, and these statements and other supporting data were subjected to our review for the purpose of substantiating the correctness of the information furnished to us.

The accompanying balance sheet sets forth the assets and liabilities of the parent company. The investments in and non-current advances to subsidiary and affiliated companies are stated as such on the balance sheet, after deducting therefrom reserves provided in respect of reductions in the net worth of certain of these companies from the date of acquisition of such investments to November 30, 1939. The portion of the indebtedness of subsidiary and affiliated companies, which is represented by net quick assets, is included in the current assets.

In our opinion, the accompanying balance sheet and related statement of profit and loss and earned surplus present fairly the position of Hart Schaffner & Marx at November 30, 1939, and the results of its operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

CHICAGO,

January 11, 1940.

